

Finance and Resources Committee

10.00am, Thursday, 12 August 2021

Plots K and L, Greendykes – Proposed Transfer to Housing Revenue Account

Executive/routine	Routine
Wards	Portobello/Craigmillar
Council Commitments	2, 3

1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
 - 1.1.1 Approves the transfer of Greendykes North Plots K and L at Craigmillar, to the Housing Revenue Account (HRA) on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Place; and
 - 1.1.2 Instructs the EDI Board on the necessary steps to proceed with the transfer.

Paul Lawrence

Executive Director of Place

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2. Executive Summary

- 2.1 Plots K and L in the Greendykes area of Craigmillar remain in the ownership of PARC Craigmillar Limited following the transition strategy for the closure of EDI. Delivery of affordable housing on these plots will support the delivery of the Council's 20,000 affordable homes commitment.
- 2.2 On [7 March 2019](#), the Finance and Resources Committee approved the disposal of the site to Places for People however satisfactory terms for the sale could not be agreed.
- 2.3 This report sets out the options available for the disposal and seeks approval to transfer the sites to the Council's Housing Revenue Account (HRA) on the terms and conditions outlined in the report.

3. Background

- 3.1 In 2002, PARC Craigmillar Limited (PARC) was formed as a joint venture between the Council and the EDI Group Limited. As part of the joint venture, the Council agreed to transfer 80 acres (32 hectares) of land in Craigmillar to PARC, a subsidiary company of EDI.
- 3.2 Planning permission, in principle, for Greendykes North was granted in 2006 and again in 2015. Greendykes is divided into eight development plots along with two plots allocated for new parks. A map showing the relationship of these plots to each other is set out in Appendix 1:
 - 3.2.1 Greendykes North comprises plots D and J (developed by Barratt Homes); plots C and G (developed as part of the Council's housebuilding programme); and plots K and L (PARC/City of Edinburgh Council).
 - 3.2.2 Greendykes South comprises plots N, P, and Q which have been sold to Taylor Wimpey. The North Park is to be developed by PARC and the South Park by Barratt Homes and Taylor Wimpey.
- 3.3 On [1 November 2018](#), the then Housing and Economy Committee considered the development strategy for Plots K and L and approved to proceed with a conditional sale to Places for People (PfP). The Committee also approved that in the event that

discussions to secure additional funding though this route cannot be progressed to a successful conclusion, Council officers would seek to bring forward an alternative proposal to deliver affordable housing without grant subsidy alongside market housing at plots K and L.

- 3.4 On 7 March 2019, as requested by the Housing and Economy Committee, the Finance and Resources Committee approved the disposal strategy. Subsequent negotiations with PfP were unable to reach agreement on terms which were considered acceptable to the Council.
- 3.5 On 15 March 2021, the EDI Board requested that officers undertake an options appraisal for the disposal of Plots K and L with a report and recommendation made to the Board on 30 June 2021.

4. Main report

- 4.1 Three available options for the disposal of the sites were considered by the EDI Board as follows (each option is based on the development density of 133 homes):
- Option 1 Transfer the site to the Council Housing Revenue Account (HRA) for direct development as part of the Council's house building programme;
 - Option 2 Dispose of the site on the open market to a private housebuilder to take forward the development of the site on a mixed tenure basis; and
 - Option 3 Dispose of the site on the open market to a developer to take forward development of the site for private sale.

Option 1 - Transfer to Council Housing Revenue Account (HRA)

- 4.2 New Council homes for social rent are delivered through the Council's own housebuilding programme along with homes for affordable rent by Edinburgh Living. This contributes to the Council's 20,000 affordable homes by 2027 commitment. Whilst delivery against the commitment is underway more land is needed. Should the plots transfer to the HRA a mix of social and mid-market rent homes will be delivered across the two sites. Purchasing land and meeting the rising construction costs including net zero carbon and installation of fire suppression systems will require Affordable Housing Supply Programme grant subsidy.
- 4.3 The HRA business plan includes an assumption of a maximum payment of £20,000 per plot for land for affordable homes, so this would provide a maximum receipt of £2.66m based on 133 homes. Should there be Planning or other site constraints the HRA would seek to reduce this on a pro rata basis based on the number of homes that can be delivered. There would be no deductions in relation to section 75 (S75) contributions.

Option 2 - Disposal to Housebuilder to take forward mixed use development

- 4.4 There is a limit to the number of housebuilders who would be willing to take forward a mixed tenure development on the site. Soft market testing has been undertaken with a developer who would be able to deliver such a scheme.
- 4.5 The developer has provided indicative terms for the purchase of the site based on a scheme consisting of 133 homes with 96 (72%) delivered as affordable through a housing association which would require grant subsidy and 37 (28%) private sale. The gross figure that the developer would be prepared to offer is £2.91m.

Option 3 - Disposal to Housebuilder to take forward private sale development

- 4.6 By way of direct comparison with the delivery of a mixed tenure scheme the same developer was asked to consider the possibility of purchasing the site for a 100% development of private sale units. This was assessed at a gross figure is £3.22m for 133 units.
- 4.7 Both of the offers under Options 2 and 3 assume no ground contamination and that there is sufficient utility capacity for the proposed development. Furthermore, the gross figure would be subject to deductions for import or export of material, service diversion, additional foundation costs and S75 contributions.
- 4.8 In summary the three options available are as follows:

Option	Gross Price	Housing Delivery	Impact on Council Commitments	Timescale for receipt
1 - Transfer to Council Housing Revenue Account	£2.66m	133 affordable (mix of social and mid-market rent)	133 affordable homes to contribute to the Council's 10,000 homes commitment	Site could be transferred to HRA following Committee approval. Payment will be made on transfer.
2 - Disposal to Developer for mixed tenure	£2.91m	96 affordable, 37 private sale	Delivery of above policy affordable housing,	Estimated – at least 18 months and payment may be phased
3 - Disposal for Private Sale Units	£3.22m	133 units for private sale	No affordable provision	Estimated – at least 18 months and payment may be phased

- 4.9 It should be noted that under the option to transfer to the HRA, the gross price allows for deductions for S75, previously estimated to be circa £68,000. S75 costs would fall to be deducted from the gross figures under options 2 and 3.

5. Next Steps

- 5.1 Following approval of the terms by Finance and Resources Committee, the site will transfer from the PARC Craigmillar Limited to the Housing Revenue Account.

6. Financial impact

- 6.1 The financial strategy for the closure of EDI was based on the market land value and the Council would forgive loan stock at this level in exchange for the plots. The Council is expected to realise £25.4m from the closure of EDI, representing the repayment of all outstanding loan stock and share capital coupled with a remaining dividend of £8.1m.
- 6.2 The preferred option is a sale to the Housing Revenue Account at a value of £2.66m. This will result in net income of £2.155m once Corporation Tax is taken into account. This amount would be paid to the Council as a dividend when EDI Group is wound up.

7. Stakeholder/Community Impact

- 7.1 Ward members have been made aware of the recommendations of the report.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1 – Greendykes North Masterplan.

